UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/48/318
30 August 1993

ORIGINAL: ENGLISH

Forty-eighth session
Item 45 of the provisional agenda*

INTERNATIONAL ASSISTANCE FOR THE REHABILITATION AND RECONSTRUCTION OF NICARAGUA: AFTERMATH OF THE WAR AND NATURAL DISASTERS

I. INTRODUCTION

1. During the decade of the 1980s, the Central American stage was one of armed struggle based on grave social conflicts. The Nicaraguan revolution of 1979 ended an extended period of dictatorship, but for internal and external reasons, the country was soon involved again in a generalized armed conflict. In El Salvador, in 1980, a civil war began that would take more than 75,000 lives and represent an investment of US$ 4,500 million in this small country. In Guatemala, a war that began in the 1960s between military factions gained new life in the 1980s and a large percentage of the population was forced to emigrate. In Honduras, the anti-Sandinista war also destabilized the country which saw military aid increase vertiginously from $9 million in 1980 to $81 million in 1986. This strengthened an army that already exercised a great political and economic role in the society. And even Costa Rica, without an army and with its democracy intact, felt pressures to "militarize" as well as to exert political repression when faced with violent incidents and strong social demands within a shrinking economy.

2. The growing volatility and external intervention, catalysed a Latin American effort to end the Central American crisis by establishing mechanisms to guarantee peace. The presidential summit meetings of Esquipulas I in 1986 and Esquipulas II in 1987, supported by the earlier efforts of the Contadora Group, began an era of Central American initiatives to build the foundation for a lasting peace in the region.

3. The Esquipulas Declaration of 25 May 1986 1/ recognized that "peace in Central America can be achieved only through an authentic democratic process that is pluralistic and participatory, which entails the promotion of social justice and respect for human rights, the sovereignty and territorial integrity

---

* A/48/150 and Corr.1.

of States and the rights of every nation to choose, freely and without outside interference of any kind, its own economic, political and social pattern, it being understood that such a choice is the result of the freely expressed will of the peoples concerned".

4. In the Esquipulas II Agreement of 7 August 1987, 2/ procedures were defined to establish lasting peace in Central America, including as principal steps: national reconciliation based on dialogue and amnesty and the creation of a National Reconciliation Commission; cease-fires; democratization; free elections; termination of aid to irregular or insurgent forces; prevention of the use of the territory of any Central American State to destabilize its neighbours; negotiations over security, verification, and arms control; aid to refugees and displaced persons; cooperation between Central American countries for development and democracy; and international verification and follow-up.

5. In the above-cited procedures, the Central American Presidents requested the presence of the Secretary-General of the United Nations or his representative on an International Commission of Verification and Follow-up of the Agreements, and the assistance of the Office of the United Nations High Commissioner for Refugees (UNHCR) to help refugees and displaced populations.

6. At the request of the Central American Governments, the United Nations General Assembly, in its resolution 42/231 of 12 May 1988, welcomed the Special Plan of Economic Cooperation with Central America (PEC) to support the peace process. In May 1989, within the PEC framework, CIREFCA (International Conference for Central American Refugees) was convoked in which the situation of each country was defined with regard to the formulation of national reconciliation plans.

7. The second phase of PEC (1992-1994) continues to prioritize the areas of displaced, demobilized and repatriated population as well as the strengthening of the institutions of Central American integration.

8. The participation of the United Nations in order to achieve peace in Central America, at the petition of the Central American Presidents, was supported by the United Nations Security Council in its resolution 637 (1989) of 27 July 1989.

9. Nicaragua arrived at a high point with free and open elections in February 1990, and the first peaceful transition between politically polarized parties in March of that year. The United Nations monitored and observed the entire electoral process through the United Nations Observer Mission to verify the electoral process in Central America (ONUVEN) and the demobilization of the irregular troops through the United Nations Observer Group in Central America (ONUCA).

10. The new Government created the foundation for reconciliation with the Programme of National Reconciliation and Rehabilitation (PRRN), formulated with the support of the United Nations Development Programme (UNDP). Since 1990, the end of the war has permitted the demobilization of the irregular forces (20,000 combatants) and a very significant reduction in the army (from 92,000 to 16,200) and attention for 350,000 displaced persons and refugees.

11. Significant advances have also been achieved in terms of political liberty, freedom of the press and of conscience. A growing independence between branches of Government and a strengthening of the relative power of the legislative and judicial branches is also being implemented.

12. Economically, a stabilization programme has permitted the reduction of the annual inflation rate from five-digit figures in the 1980s to 4 per cent in 1992 and under 20 per cent in the first five months of 1993. Public sector finances have also improved with the overall cash deficit reduced from 31.2 per cent of gross domestic product (GDP) in 1992 to 10.8 per cent of GDP in 1992.

13. Structural adjustments, in the context of the market-oriented systemic transformation, have included the abolition of the State monopoly in banking and traditional exports; bank regulation and supervision; a unified foreign exchange rate without excessive controls; the privatization of public enterprises; and reductions in the State administrative apparatus.

14. Nevertheless, these programmes have not sufficed to reactivate the Nicaraguan economy. In the last years, the rate of growth of Nicaragua's GDP has been stagnant (-0.6 per cent in 1991, +0.8 per cent in 1992, with +1.5 per cent foreseen for 1993). This means sustained negative per capita economic growth rates, taking into account the country's high population growth rate of over 3.4 per cent.

15. The above-cited factors have translated in the deterioration of social conditions that were already critical in 1990. It is estimated that more than 70 per cent of the population live in poverty, that malnutrition affects over 20 per cent of the children, and that unemployment or underemployment affect over 45 per cent of the labour force. In 1993, the drop-out rate in elementary education stood at 70 per cent.

16. Thus, although the war is over and military confrontation seems a remote chance, the sustained deterioration of social conditions has undermined the credibility in the democratic political institutions. And in the North and the Atlantic coast, social crisis has produced the rearming of some former combatants from both sides of the civil war in addition to widespread banditry. Recently the Government has initiated a new process of national dialogue to discuss the continuing political crisis.

17. During the transition to peace, the country has also been affected by natural disasters. Between 9 and 13 April 1992, the Cerro Negro Volcano, situated in central Pacific Nicaragua, exploded, depositing a cover of sand and ash over an area of 240 square kilometres and affecting a population of 150,000, including the city of León, neighbouring urban zones as well as what has traditionally been Nicaragua's principal agricultural zone.

18. The first of September 1992, a seaquake of 7.0 on the Richter scale created tidal waves between 8 and 15 metres high which affected the Pacific Coast along more than 250 kilometres. On the coastline, 26 communities with a population of approximately 40,000, the majority of very limited resources, suffered damage or destruction of their infrastructure, housing, and means of livelihood.

19. Thus, as an initiative of the countries of the region, including Nicaragua, along with supporters, the United Nations General Assembly adopted resolution 47/118 of 18 December 1992 and resolution 47/169 of 22 December 1992.

20. In its resolution 47/118, the General Assembly requested that the Secretary-General and the organizations of the United Nations system lend support and asked the international community to increase its backing for peace, liberty, democracy and development in Central America to prevent the material limitations of the region from reversing the achievements made. It furthermore reiterated the importance the Special Plan of Economic Cooperation for Central America had for the implementation of that resolution, in particular because it provided the underpinning for the execution of the Central American Economic Plan of Action.

21. In its resolution 47/169, the General Assembly dealt directly with Nicaragua, and asked the international community to continue its support of Nicaragua at levels high enough to overcome the scars of war and the natural disasters and to stimulate the process of reconstruction and development. At the request of the Government of Nicaragua, it requested the Secretary-General to provide Nicaragua with all possible assistance to support the consolidation of peace, in aspects such as the settlement of the displaced and demobilized persons and refugees, land ownership and land tenure in rural areas, direct care for war victims, mine clearance, overcoming difficulties in the restoration of productive areas and, in general, support for a process of sustained recovery and development that would make the peace and democracy attained irreversible.

22. The present report is submitted pursuant to paragraph 5 of General Assembly resolution 47/169.

II. ACTIVITIES OF THE UNITED NATIONS SYSTEM IN NICARAGUA PURSUANT TO GENERAL ASSEMBLY RESOLUTION 47/169

23. The following describes the activities of the United Nations system in Nicaragua during the transition to peace.

A. Agencies/organs of the United Nations system: contributions in different fields

24. The list that follows provides a brief description of contributions by United Nations agencies other than the United Nations Development Programme (UNDP):

(a) The United Nations Capital Development Fund: social and productive infrastructure, non-conventional credit in poor rural areas, both complementing the PRODERE programme;

(b) The United Nations Children's Fund (UNICEF): social policy formulation, primary health care, decentralization and expansion of Mother/Child care services, basic and special education for disabled children, water and sanitation, integrated rural development;

(c) The World Food Programme (WFP): supplementary food for schoolchildren and assistance to hospitals; rural development and dairy promotion;

(d) The United Nations Population Fund (UNFPA): Mother/Child care and family planning, population education, and collection of basic demographic data through the Living Standard Measurement Survey (1993) and the National Population Census (1994);

(e) UNHCR: assistance and protection to refugees from other countries and Nicaraguan repatriates, mainly through quick impact projects (QIPs);

(f) The Food and Agriculture Organization of the United Nations (FAO): institutional reform of agricultural sector, food-security planning, conservation and management of natural resources, utilization of fertilizers, training of peasant women;

(g) The World Health Organization/Pan American Health Organization (WHO/PAHO): rehabilitation of infrastructure, immunization, nutrition, training of human resources for planning and administration in the field of health;

(h) The International Atomic Energy Agency (IAEA): experimental activities for improving the yields of certain crops and for diagnosing livestock diseases;

(i) The International Labour Organization (ILO): rehabilitation of disabled persons and skill-labour training;

(j) The United Nations Educational, Scientific and Cultural Organization (UNESCO): basic and adult education. Diverse programmes with the Ministry of Education such as teacher training, new methodologies, curriculum reform and educational materials. With UNICEF, it supports programmes of rural and informal education, whose focus is aimed towards the real experiences of the people.

25. In addition, financial institutions (World Bank and the International Monetary Fund (IMF)) are providing technical support and financial support to the Government's Economic Stabilization and Structural Adjustment Programme, and for reform in such areas as the State banking system.

B. Activities of the United Nations Development Programme from 1990 to the present

26. In support of the Government's reconciliation project (PRRN), UNDP began to formulate, execute and promote projects that support the process of national reconciliation, directed towards the populations that were especially affected by the war and to attend the specific needs of the country related to the transition to peace.

1. Activities in areas of former conflict

27. To ensure a legitimate reinsertion and lasting peace, it was vital to create adequate socio-economic conditions and to guarantee personal security. To that end, projects of integral development were designed in the zones of conflict in the north and on the Atlantic coast such as PRODERE (Development Programme for the Displaced, Refugee and Repatriated) and PRORAAS (Project for the Integral Development of the Displaced, Refugee and Repatriated Population in Two Zones of the Autonomous Region of the South Atlantic).

28. PRODERE, in the northern region of conflict, financed by the Government of Italy ($23 million) has worked since 1990 to achieve peace by giving impulse to productive reactivation and diversification, as well as the generation of employment and income, creating basic social conditions for the well-being of the population and working for human rights. In order to assure its sustainability, PRODERE is preparing its transfer to a local development agency in 1994.

29. PRORAAS, in the southern Atlantic region, financed by the Government of the Netherlands ($1 million) works in a region hit hard by the civil war, where the majority of Nicaragua's indigenous people live, traditionally isolated from the rest of the country. PRORAAS works to improve basic conditions of health, sanitation, education and certain productive activities in the region. Currently, PRORAAS is in the process of looking for additional funding to allow its continuation through 1994 and geographic expansion within the region.

Emergency agricultural project

30. The process of rehabilitation and reintegration continues among former combatants. In March and April 1993, at the joint request of ex-commandants of the Nicaraguan Resistance, the National Union of Farmers and Cattlemen (UNAG), whose members include the Sandinista cooperatives, and members of the National Directorate of the Sandinista National Liberation Front, UNDP helped to formulate an emergency project to stimulate agricultural production in the severely depressed northern region for the current productive cycle (May-December 1993). The project is designed to assist 6,000 poor rural families and repatriated former combatants. In addition to supporting this "campesino" organization, it will supply financing, technical assistance and guidelines for the commercialization of their products.

2. Activities nationwide

(a) Strengthening the rule of law

31. The project to strengthen the Judicial Branch of the Nicaraguan Government, co-financed by Sweden, at a cost of $7.7 million, seeks to establish local judiciary authorities all over the country, including places where they did not exist, and improve the training of judges and the conditions under which they work.

(b) Consolidation of State and civil society institutions

32. The electoral institution is being developed by means of technical assistance for the elaboration of a permanent Electoral Registry.

33. Institutional development is an area that from the very first received UNDP support through the Management Development Programme (MDP), which targeted public sector institutions in the macroeconomic area, and now will be extended to the social sectors. Additionally, support has been provided to the privatization process, and in particular to the National Privatization Corporation (CORNAP), through projects co-financed by the Governments of Sweden and Norway as well as the Inter-American Development Bank.

34. The design of the new system of Social Security has been undertaken by UNDP with the National Institute of Social Security and Welfare (INSSBI).

35. Reform of the National Council of Universities, the organization that coordinates and advises the centres of university and technical education, is ongoing.

36. In response to the critical need for financing for small producers who, at present, are excluded from bank financing, in 1993 a project has begun to provide training to local organizations (non-governmental organizations) in order to create local credit provision capacity to better serve small-scale producers.

37. Given the country's weak database, and in addition to the ongoing Living Standard Measurement Survey, LSMS (funded by UNDP, UNICEF and the Governments of Sweden and the United States, and executed by the World Bank), major projects are planned in terms of agricultural statistics and a population and housing census. Improved information will also help to address the key need to strengthen the country's strategic planning capability, to be complemented by highly specialized advisory services.

38. Decentralization and municipal strengthening has been a priority for the Government. Within this framework, the United Nations Centre for Human Settlements (Habitat), with financing from the Government of Finland and from UNDP, since 1989 has supported the implementation of a system of municipal information over local problems centred on housing and living conditions. In 1993, with a financial contribution from Sweden, the municipalities will move forward in their efforts to improve their financial autonomy through the development of local catastros. The knowledge of urban composition will permit the municipalities greater efficiency in tax policies and collection and planning.

39. Institutional development has also included two critical areas for Nicaragua today: agriculture and external commerce policies and programmes. Two projects, co-financed with the Inter-American Development Bank, aim to support the recovery and diversification of agricultural production (especially export commodities), and the comprehensive international commerce and investment promotion programme.

(c) Consolidation of the private sector

40. Recognizing the importance of establishing an enabling environment for the private sector, UNDP has initiated and plans to expand in the immediate future activities in three areas: consultations through surveys and forms with a broad array of private sector actors; promotion of foreign investment through an agricultural trade fair designed to match both national and international investors with specific projects; and a private sector programming mission to draw up, with the Government, the private sector and the donor community, a comprehensive programme to promote entrepreneurship and private investment.

41. Nicaraguan small and micro-scale private businesses provide 442,000 jobs or two thirds of the active labour force. UNDP identified a critical sector to which no assistance was directed: small- and micro-scale manufacturing/ productive enterprises. In 1992 UNDP with indicative planning figure (IPF) funds provided technical assistance and training in business administration to approximately 1,300 small-scale businessmen. UNDP will possibly execute in the near future (co-financed by Austria) two follow-up projects: one would replicate the project carried out, and the second would work with a Nicaraguan non-governmental organization (FUDEMI) to make it a viable credit provider for these small- and micro-scale manufacturing businesses.

42. The privatization agreements in Nicaragua established that 25 per cent of shares of privatized business should go to workers. UNDP with the assistance of the International Labour Organisation (ILO) is currently designing a project to benefit principally those industries in which workers have over 50 per cent of the shares. The design of the project is part of a dialogue between UNDP and interested Nicaraguans.

3. Assistance to population affected by natural disasters

(a) Cerro Negro Volcano

43. After the explosion of the Cerro Negro Volcano in April 1992, the Government put out a call for international assistance and the response of the international community was immediate. The disaster management team began to coordinate international community activities and to support the Government.

44. Within this framework and in constant consultation with the Government of Nicaragua, the disaster management team concentrated its assistance in six programmes:

(a) Nutrition for children and pregnant women, to distribute powdered milk and sugar and give immediate attention to a large number of children;

(b) Food programme to feed 10,000 people for a period of 10 days, evaluating the need for future actions for a period of up to four months;

(c) Health, water and sanitation programme, to provide medical services and paediatric attention to the needy;

(d) Installation and infrastructure for camps with the object of providing logistic services;

(e) Radio communication, to provide the camps with communication equipment connected to the External Cooperation Ministry and United Nations offices;

(f) Technical assistance, made up of an inter-agency mission in order to evaluate the damages caused by the explosion.

45. UNDP-Special Programme Resources assisted directly by providing plastic bags, black plastic for tarps to cover food and ground, and blankets for $50,000.

46. Perhaps the most positive outcome of the disaster assistance was the community committees that were organized with UNDP assistance to deal with the crisis. UNDP has worked to strengthen these committees, for example with a $50,000 credit for a revolving fund to be administered by a Community Bank. The loans made through this fund are designed to rehabilitate family productive businesses such as poultry or grazing animals.

(b) Tsunami

47. In the aftermath of the tsunami that hit the Pacific coast in September 1992, UNDP took an active role in rebuilding. In the municipalities of Tola, San Juan del Sur and El Viejo, UNDP assisted residents left homeless in building temporary camps for shelter and providing other emergency assistance. In a second phase, these 97 families, assisted by an expert, built new homes with contributions from UNDP, the Office of the United Nations Disaster Relief Coordinator (UNDRO) and the Government of Switzerland. Sites for these homes were chosen for greater security, building space and were constructed to be anti-seismic.

48. In a similar project, UNDP with IPF funds of $366,800 and donations from Australia, Austria, Luxembourg, Sweden and the United Kingdom of Great Britain and Northern Ireland totalling approximately $400,000, set up a three-part project in the municipality of León to construct houses for 179 families in a similar fashion. WFP, WHO-PAHO, and UNICEF were involved in both projects in order to provide food, and to assist with the latrine system and to assure a safe water supply for the community. This second project in León, however, added two new aspects: the creation of a revolving credit fund administered through a local non-governmental organization and an agency of social and economic development, and the establishment of a disaster warning, prevention, and assistance system.

49. Finally, in a project designed to reactivate the principal economic activity in the coastal communities affected by the tsunami, UNDP assisted the Government of Nicaragua in a project to rebuild and improve small-scale fishery activity in 19 communities. The project provides new boats and motors for over 300 fishermen who lost their boats in the tidal wave (each boat carries a crew of three). The project also provides training for over 1,800 fishermen from the communities.

4. New forms of assistance

(a) Support in the formulation and implementation of integral strategies and policies

50. As mentioned in previous documents, one of the main problems in transition is the lack of integral strategies and policies, owing to multiple reasons including institutional weakness and pressure by external organisms. Furthermore, the polarization within Nicaragua has contributed to an anti-planning bias, given the centralized structure of the previous Government.

51. The term "integral policies" is used to refer to policies which are based on the specific features of each country and take into account the reciprocal influence and interdependence of activities undertaken in different spheres (economic, political, social, environmental, etc.).

52. By mid-1992, UNDP Nicaragua set up a Task Force on Democratic Governance and Economic Development, directly supporting the Resident Representative in the analysis of the Nicaraguan situation and in the formulation of integral proposals. Financed by the Government of Sweden, this team proved useful for significantly increasing the capacity of the UNDP office in Nicaragua for analysis and advocacy.

53. This bore fruit when, at the petition of the Ministry of the Presidency, the UNDP office in Nicaragua in consultation with other United Nations agencies assisted the Government in the design of a development strategy that would combine the economic policies with social policies and with the improvement of democratic governance. The result was the strategy of reactivation in the spirit of solidarity that was announced by President Violeta Chamorro in her state of the nation address in January 1993.

54. The strategy of reactivation seeks, through community participation, to improve the quality of and access to social services, and to activate the productive resources in the hands of poor Nicaraguans.

55. Now the United Nations system is working to harmonize new projects and, when possible, projects in course, with the above-mentioned strategy. Through institutional support and community action programmes under way or envisioned by UNDP, UNICEF, UNFPA, WFP, and WHO/PAHO, the programme areas tied to the strategy include: support to the recently established Ministry for Social Action in order to elaborate in participatory form the social agenda; collaboration with the Ministry in the horizontal transfer of certain features of the Mexican Solidarity Programme (PRONASOL); productive communities and human settlements programmes; support to the Emergency Social Investment Fund co-financed by the Inter-American Development Bank, particularly for project formulation and the insertion of the Fund within the community development programme under the auspices of the Ministry; and food aid for temporary employment provided by WFP.

56. Also related to strategy are the basic health, water and sanitation, infant survival, nutrition, immunization programmes supported by WHO/PAHO and UNICEF; maternal/child health and family planning project supported by UNFPA with co-financing from the Government of Norway; and the supplementary food and integral child-care project funded by WFP. In light of the integral nature of

the strategy, all these efforts will increasingly involve community participation within an overall poverty reform framework.

(b) Support for the concertation process

57. Another characteristic of the Nicaraguan transition has been the need for ample consensus for significant decisions and policies. At the moment the country is engaged in a process of national dialogue over the important economic, political and social themes in search of a solution based on consensus.

58. Emphasizing that the decisions reached should be national, UNDP has supported the dialogue process through various mechanisms:

(a) By strengthening of the negotiating capacity of the principal actors (Government, Sandinista Front for National Liberation (FSLN), National Opposition Union (UNO)) through workshops on negotiation;

(b) By contributing inputs for discussion through investigations, surveys, and so on;

(c) By creating scenes for discussion, such as forums or seminars. For example, UNDP organized a forum on production, on 26 March, with the participation of over 100 producers from all sectors, cabinet ministers, the nation's most prestigious economists, and the international community. Perhaps the most notable consequence was the public attention to the needs of this sector and finally an agreement for greater government support in the context of the current national dialogue.

(c) Support for processes of social development and organization for participation

59. UNDP advocacy of the need for integrated strategies and policies and participatory approaches has been a contributing factor in the creation, in January 1993, of the above-mentioned Ministry of Social Action, charged with formulating the social policy and implementing community participation.

60. UNDP was the primary cooperation agency in the design of the Ministry for Social Action. Recently, through UNDP advice and support, the Ministry has initiated a project of community development nationwide that seeks to form and organize the communities to participate. Furthermore UNDP has signed a preparatory assistance agreement to support the Ministry in the formulation of a social policy.

III. EXTERNAL ASSISTANCE

61. The foreign debt of the country at this moment is over $10,000 million. Taking into account the size of the population (4 million), Nicaragua has the highest per capita debt in the world. The gross domestic product (GDP) in 1992 was under $2 billion, for a per capita GDP of $431. More than 40 per cent of the GDP came from foreign aid, half of this amount in the form of loans. The

country is creating new debt at a rate of $400 million annually. Even in the best case, Nicaragua will depend on external aid until the turn of the century.

62. Therefore it is extremely important that an international agreement would permit Nicaragua to renegotiate its debt to a manageable level that would not impede the country's development; and would guarantee the levels of assistance that the country needs until it reaches self-reliance.

63. For this task the United Nations could be the best advocate. Also, owing to its specific characteristics, especially the lack of vested interests, credibility, and its multisectoral approach, the United Nations system would be an excellent agent to assist the country in the design of the national policies necessary to define the assistance needs for the future.

Notes

1/ See Official Records of the General Assembly, Fortieth Year, Supplement for April, May and June 1986, document S/40/1119, S/18106, annex.

2/ Ibid., Forty-second Year, Supplement for July, August and September 1988, document A/42/521-S/19085, annex.